



# BiH Tourism Demand Survey

## SUMMARY AND RECOMMENDATIONS

**28 March 2006**

This document was prepared for review by the United States Agency for International Development. It was authored by:

**Alvin Rosenbaum**, Senior Advisor, J. E. Austin & Associates, and **Michael Zweig**, Senior Advisor for

**Emerging Markets Group, Inc.**, implementer of

**USAID Bosnia & Herzegovina Cluster Competitiveness Activity**

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.

## 1. Introduction

In late February and early March 2006, Miguel Zweig conducted 56 interviews of travel agents and tour operators in Europe. His interview notes were provided to the BiH Cluster Competitiveness Activity (CCA) on March 8. The purpose of these interviews and this report is to better understand BiH in the context of the European interregional tourism industry.

This report provide a brief analysis of this information including excerpts from a selection of responses. Excerpts of interviews are included from UK, Holland, Germany, France, Sweden, Austria, Italy, Slovenia, Croatia, Poland, Czech Republic, and Switzerland.

The framework for the interviews was to:

- Determine the interest and behavior of leisure tourists from the generating countries to the countries of SEE (also referred to as the Balkans, East Europe, and the former Yugoslavia), characterized here as SEE Regional Tourism
- Understand the positioning of these destination countries for both FIT (free and independent tourists) and group packaged tours
- Understand the positioning of BiH for tourism in the SEE region
- Help determine the prospects for new BiH products and services and their deployment.

Three tourist origin segments considered here are local, SEE, and EU. The international long haul market is not a significant factor in the near future and is not addressed in this report.

## 2. Findings from the Survey

### 2.1 Local and SEE Regional Tourism

- Local trade is mostly from Croatia and Montenegro, with gateways from Dubrovnik, Split, Zagreb in Croatia and Tivat, and Podgorica in Montenegro.
- While there seems to be considerable traffic through BiH from Poland, Czech Republic, Hungary and Bulgaria to Adriatic destinations, these self-drive travelers tend to develop their own itineraries enroute, including overnight bookings.
- For FIT business, travel agents only see destination traffic, not touring traffic.
- For packaged travel, the survey provided considerable detail relating to the combination of cities and activities offered in touring packages. In sum, BiH is not yet on the organized tourist map and with only a few exceptions, does not have packaged products that generate any significant revenue for booking companies and tour operators.

The reasons given for the paucity of organized tourism in BiH include:

- The overhang from the 1992–95 war
- The perceived lack of distinguishing products
- The lack of coastline
- Too few hotel rooms of international quality
- Weak demand for business travel to BiH (other than from international development organizations)
- Little capacity for inbound operations to provide destination services (activity bookings, meals, step-on guides, etc.).

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.

Travel agents do not see traffic to BiH from family and friends, shopping trips, and pass-through, which may provide substantial immigration data from border crossings but minor lodging and restaurant revenue.

There was a general consensus that Sarajevo and Mostar had some limited appeal for day trips but that there was not a sufficient number of quality activity venues to warrant destination services, such as guided tours, multi-day excursions and inclusive packages. A second problem is access: EU's low-cost airlines (e.g. Ryan, Easy Jet) provide affordable fares for short get-away destinations, a fast growing niche, particularly from UK, Germany, France, and Austria. These small jet hops permit low-priced packages off-season to Croatia and Slovenia, but not to BiH or Serbia.

In sum, BiH is considered by agents from the generating markets as being too war-torn, too sad, and without the necessary hotel capacity, activity venues or infrastructure to be competitive in today's leisure marketplace.

But on a positive note, new, unique, off-the-beaten path destinations are now in vogue in a growing European market in both affluent and bargain segments, suggesting that product improvements, lodging room expansion, and promotion will generate new business; that is, if the price/value relationship is right.

The BiH competitive advantage over Croatia and Montenegro in the next several years will be low-cost four-season holiday traffic. There was nearly universal agreement that Croatia and Montenegro in-season were overpriced with little or no slack capacity, providing possible growth potential for BiH. Another consistent observation is that Croatia, while having a long seashore, is more of a cultural than beach destination, given the lack of sand beaches and resort amenities.

A comparison of Sarajevo to Dubrovnik summarizes the issue: while both have East-West influences in their architecture, Dubrovnik is on the Adriatic, escaped massive war damage, and has a long history of international tourism.

In the short run the competitive advantages for Sarajevo may be events, price, and availability during the high season when Dubrovnik hotels are at full occupancy. Longer term, the packaging issue is critical. It is not simply the combination of events, sites, and hospitality across a 2–3 week touring itinerary; but, critically, it is the gateway cities that work cooperatively and in combination for inbound operators, bus routing, airlift, and bookings. Currently, *no agents or operators surveyed currently combine eastern/central Europe with SEE destinations*. According to the Zweig survey, the market does not currently combine former Yugoslavia destinations with Romanian, Bulgaria, Poland, Czech Republic or Hungary; as such, the "region" for combined tours is really the former Yugoslavia, + Albania.

## 2.2 Eastern Europe as the Generating Market

There was little or no current interest in product development from the major western European generating markets (e.g. London, Paris, Munich, Amsterdam, and Vienna). But the picture from central and eastern Europe generating markets (e.g. Prague, Budapest, Bucharest, Warsaw) is much brighter with reasonable prospects for retail tour packages through the former Yugoslavia, with BiH as part of a circuit, both as a stopover and/or as a destination.

There appears to be a consensus that Sarajevo is not ready to be considered a full-fledged destination because of its lack of capacity for inbound operations, its limited accommodations, limited events and sites to visit, and, most prominently, its negative public image. One could also add the lack of discounted airlift.

But there was a pattern of responses from eastern Europe as a generating market that is encouraging, with Hungary, Poland, and the Czech Republic good candidates for targeting. The

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.

reasons given are that BiH is enroute to the sea; that it is perceived as being inexpensive; that language is less of an obstacle (Polish and Czech, but not Romanian or Hungarian); that Sarajevo, particularly, had a higher profile in the old system.

### 2.3 FIT versus Packaged Tours

There was a strong bias in the survey to focus on *packaged tours* because they are inclusive projects that are created, promoted, discounted, retailed, and deployed with prevailing margins for and by storefront travel agents. FIT leisure travel, as a la carte items on a travel agent's menu, does not produce sufficient margins to generate serious income for the retailer. Packaged tours also are where big tourism revenues come from.

These two markets have quite different value chains, margins, and distribution channels and must be considered separately. At the awareness and branding levels, the differences are subtle:

- For *FIT*, promotion and publicity for specific experiences (e.g. Sarajevo Film Festival; Mostar Bridge World Heritage) can be effective, although any measuring tools and indicators that link specific promotion expenditures to tourism receipts are suspect. Channels to the market include eastern European magazine and newspaper features, rack brochures in the appropriate languages, and awareness efforts at targeted regional tourism fairs. While there may be more prestige in going to ITB in Berlin, tourist trade events in Belgrade, Budapest, or Prague will have a much better returns for their investment.
- A serious effort should be made to generate *packaged tours* to and through BiH. Virtually all publicity and promotion has a spill-over into FIT channels. More importantly, specific tour packages can be created for niche markets, either for independent or affinity groups or for individual, couples and family packages. In each of these segments, the product mix can be virtually the same (although hotel capacity is often an issue for a motor coach tour when 20–25 rooms are needed for a single night at a destination with only small hotels). For example, packages for transport, lodging, events and tickets for the Sarajevo Film Festival could include an orchestration of home stays, since the market is for individual and couples rather than families or affinity groups.
- Dynamic packaging is the future, where each component is pulled from a database, reserved, priced, and deployed for a single traveler at retail, or for a large group attending a congress putting together a post-congress excursion. The Zweig demand survey provides a good range of examples, with itineraries, price points, and demographics from a variety of European generating markets.

## 3. Positioning BiH

Only a few eastern European agents, who have seen their own fair share of conflict and hardship, were not particularly concerned about BiH profile in the leisure segment. A couple of respondents thought that the BiH leisure market would still need 3–5 years to catch on. Some quotes:

- “People are starting to know about BiH. It was a popular destination for Polish people prior to the 1990s. Slowly they started returning to Croatia, then Slovenia and now Montenegro. Next will be BiH.” (Warsaw travel agent)
- “Many tour companies are organizing trips to Croatia. Quite a few to Slovenia. But very few to Serbia/Montenegro and even fewer to BiH. But it is nice in BiH and architecture is interesting. More companies will go as people realize it is safe to return.” (Prague tour operator)

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.

- “Mountains in BiH have no tourist infrastructure but this may be good. As other countries become over built, BiH will be the new destination, the destination of the future.”  
(Prague travel agent)

Virtually all of the survey comments from western Europe regarding BiH tourism were negative. From central and eastern Europe, the reviews were more generous (as above), but qualified.

There are several issues that arise for a positioning strategy:

- Public relations and adjusting misperceptions about BiH:* Misperceptions in the marketplace require coordinated and a sustained public relations program. The issue exists well beyond leisure tourism into the BiH trading relationships with its neighbors and in the European community. It will be important for tourism officials to develop an integrated approach with the country's foreign affairs and international trade efforts to address and neutralize the downbeat and pessimistic imagery that now exists.
- Developing a BiH “brand”:* Neither “Bosnia-Herzegovina” or “BiH” have positive associations, and they have very low profiles even in Europe. For leisure tourism, the country brand may not be particularly helpful or memorable. Many countries use one brand for their tourism board or ministry, but not as prominently in sales materials. For BiH, projecting an image for new products and packages is key, perhaps featuring Sarajevo and Mostar, together and separately. But for logo development and branding to be effective, they must be the result of a rigorous strategic planning and positioning process keyed to product development
- Targeting specific demographics and generating markets:* Tourism market research is focused on these questions: Whom are you trying to reach? What do they like to do? Where are they? How may they be reached with your message? We see from the survey that some destinations appear to be focused and strategic while others are not. Of particular interest was the perception of retailers regarding Croatia. Most thought that it had become too expensive. Some thought of it as a young professionals hangout while others saw it as a cultural destination. No one was promoting the beaches in Croatia, which, like Greece, doesn't have sandy beaches. But Croatia has more high season visitors than they can accommodate, so targeting is more of a pricing game among competing hotels and less of a result of market research.

## 4. New Products

The survey was open-ended relating to products and market segments. There was an overall sense that the young head to the edges and the old to the interior, which is true for most of the world. Obviously, destinations that combine sun and sea with culture, like Dubrovnik, have the advantage.

In Sarajevo and BiH, within the cultural tourism segment, there are historic sites, high culture, and museums for an older demographic and festivals and nightlife for a younger cohort. The challenges posed by the survey include:

- What are the structural problems in BiH tourism policy?
- Is price/cost a BiH advantage?
- Is Sarajevo or Mostar sufficiently “different” to feature their East-West heritage?
- Can effective public-private partnerships be created for new product development?
- A threshold issue is the lack of an inbound operator in Sarajevo. What are the prospects for developing that capacity?

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.

- What are the prerequisites for new product development? Research? Capacity building and training? International linkages? Information technology? What else?
- Who are the natural allies for regional tour circuits?
- What is the path towards direct foreign investment and a tourism-focused loan program?
- What are the obstacles for creating a BiH events calendar?
- Is there a path towards hotel room classification and rating system?
- What distribution channels make sense or are possible?

## 5. Recommendations

The Zweig study leads to the following primary recommendations for near-term strategy:

- The BiH tourism industry must develop business relationships with their inbound and outbound counterparts in SEE and in Central and Eastern Europe. Through this effort to create new products and deploy them in a focused, collaborative campaign, the results will ripple through to the larger generating markets of the UK and western Europe.
- Key to this strategy is the linkage between Sarajevo-Mostar travel professionals and their counterparts in Prague, Warsaw, Bucharest, Budapest, and Sofia as well as in the nearby generating or gateway markets of Zagreb, Split, Dubrovnik, Belgrade, and Ljubljana.
- To expand these linkages, BiH tourism cluster participation in regional tourism congresses and trade fairs is recommended. The following table presents some prominent targets, with contact information:

Fair	Location	Contact
Sixth International Conference on Tourism	Sofia	Maxim Behar, CEO M3 Communications Group, Inc. 60, Bulgaria Blvd. 1680 Sofia, Bulgaria Tel. (359) 2 818 70 10 Fax (359) 2 818 70 11 e-mail: conference@bulgariantourism.com Website: www.bulgariantourism.com
Holiday World 2007 – Central Europe's Premier Tourism Industry Event	Prague	Agentura Triumf, spol. s r.o. Výstavište, 67 170 05 Prague 7 Tel. (420) 267 100 111, Fax (420) 267 100 113 e-mail: triumf@triumf.cz Website: http://www.holidayworld.cz
GO - 17th International Travel & Trade Fair	Brno	Radek Chmela Trade Fairs Brno, Výstavište 1, 647 00 Brno, Czech Republic Tel. (420) 541 152 823 Fax (420) 541 153 062 e-mail: rchmela@bvv.cz Website: http://www.bvv.cz/go
UTAZÁS 2007 - 30th International Tourism Exhibition	Budapest	Klara Tihanyi □ Budapest Fair Center, HUNGEXPO Co.Ltd. 1101 Budapest Albertirsai út 10 □ H-1441 Budapest, Hungary Tel. (361) 263-6113 or 6263 □ Fax (361) 263-6104 e-mail: utazas@hungexpo.hu

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.

Fair	Location	Contact
		Website: <a href="http://www.utazas.hungexpo.hu">http://www.utazas.hungexpo.hu</a>
Sejem pocitnic (The Holidays Fair)	Ljubljana	Gospodarsko razstavišče d.o.o. Dunajska c. 18 1000 Ljubljana Tel: +386 1 300 26 00 Email: <a href="mailto:info@gr-sejem.si">info@gr-sejem.si</a> <a href="http://www.ljubljanafair.com">www.ljubljanafair.com</a>
GTT Tourism Fair 2007	Gdansk	Gdansk International Fair Co 5 Beniowskiego str. PL 80-382 GDANSK Ph.: +48 58/554-92-04 Fax: +48 58/554-92-04 e-mail: <a href="mailto:d.solochewicz@mtgsa.com.pl">d.solochewicz@mtgsa.com.pl</a> Website: <a href="http://www.gtt.pl">http://www.gtt.pl</a>
IFT 2007 - 30th International Fair of Tourism	Belgrade	Nikola Andric Project manager Belgrade Fair of Tourism Bul. Vojvode Misica 14, 11000 Belgrade Serbia and Montenegro Tel. 381 11 655-377 Fax 381 11 655 722 e-mail: <a href="mailto:nandric@sajam.co.yu">nandric@sajam.co.yu</a> Website: <a href="http://www.sajam.co.yu">http://www.sajam.co.yu</a>
15th International Travel Show	Warsaw	International Fairs – Poland Co. Ltd 87 Marszalkowska str. Lok.85 PL 00-683 Warsaw Ph.: +48 22/529 39 00, +48 22/ 529 39 50 Fax: +48 22/529 39 76 Email: <a href="mailto:info@mtpolska.com.pl">info@mtpolska.com.pl</a> <a href="mailto:ttwarsaw@mtpolska.com.pl">ttwarsaw@mtpolska.com.pl</a> Website: <a href="http://www.mtpolska.com.pl">http://www.mtpolska.com.pl</a>
18th International Exhibition of Tourism / Tour Salon	Poznan	Poznan International Fair Ltd 14 Glogowska str.PL 60-734 Poznan Ph.: +48 61/869 24 19 Fax: +48 61/869 29 53 Email: <a href="mailto:toursalon@mtp.pl">toursalon@mtp.pl</a> <a href="mailto:toursalon@mtp.pl">toursalon@mtp.pl</a> Website: <a href="http://www.tour-salon.pl">www.tour-salon.pl</a>
ITF SLOVAKIATOUR 2007	Bratislava	Incheba JSC Viedenská cesta 3-7 851 01 Bratislava 5 Slovak Republic Tel. (421) 2 6727 588 Fax (421) 2 6727 201 e-mail: <a href="mailto:enagy@incheba.sk">enagy@incheba.sk</a> Website: <a href="http://www.incheba.sk/">http://www.incheba.sk/</a>
13th Danube Travel Mart	Vienna	Danube Tourist Commission Margaretenstr.1 A-1040 Wien, Austria Tel. (43) 1 588 66 264 Fax (43) 1 588 66 20 e-mail: <a href="mailto:danube@austria.info">danube@austria.info</a> Website: <a href="http://www.danube-river.org">http://www.danube-river.org</a>
International Federation for IT and Travel & Tourism 2007	Innsbruck	IFITT Secretariat International Federation for IT and Travel & Tourism c/o Agentur Forcher Furterzaunweg 4 A-6020 Innsbruck, Austria Tel. (43) 512 393989 0 Fax (43) 512 393989 4 e-mail: <a href="mailto:ifitt@ifitt.org">ifitt@ifitt.org</a> Website: <a href="http://www.ifitt.org/enter/">http://www.ifitt.org/enter/</a>

Information contained in this report shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than that authorized by USAID. This restriction does not limit the right to use information contained if it is obtained from another source without restriction. The information and data subject to this restriction are contained in all pages and all appendices.